

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: July 30, 2012

PAYROLL LETTER #12-010
(Civil Service Only)

TO: All Agencies in the Uniform State Payroll System

FROM: Lisa Crowe, Chief
Personnel/Payroll Services Division

RE: **STATE DISABILITY INSURANCE (SDI) TAX ADJUSTMENTS**

NOTE: The following does not apply to employees paid through the new MyCalPAYS payroll system as it properly calculates SDI tax withholdings.

As outlined in Payroll Letter #12-009, the State Controller's Office will begin adjusting the SDI taxes withheld from the June 2012 pay period and future payrolls. The adjustments are a result of excluding the FlexElect program pre-tax deductions from the SDI subject gross wage base and will occur through the use of the Deduction Code 600 SDI adjustment process. The first set of the Deduction Code 600 adjustments will be applied to the July 2012 payrolls to correct the SDI tax that was withheld from the June 2012 pay period payments.

The majority of affected employees will receive the SDI tax adjustment. This adjustment will be reflected on the earnings statement/direct deposit advice in the Deductions area. The adjustment will be listed under the heading of 'CASDI ADJ'. The adjustment amount per employee will vary based on the employee's FlexElect selections. Further, some employees may not receive an adjustment even if they did have FlexElect pre-tax deductions. Following are calculation examples for the Deduction Code 600 adjustment amount that an employee could receive including a zero adjustment amount situation.

Example #1

Flex Health Deduction Amount \$215.90
Flex Dental Deduction Amount \$35.12
Flex pre-tax Parking Amount \$40.00
Flex Vision Deduction Amount \$0.00
Payment SDI Gross Amount \$4620.58
Payment SDI Withheld Amount \$46.21

SDI Gross Amount Should Be \$4329.56 (Payment SDI Gross Amount less all Flex deduction amounts)
SDI Withheld Amount Should Be \$43.30 (1% SDI tax rate of SDI Gross Amount Should Be)

Deduction Code 600 SDI Adjustment Amount \$2.91 (difference between withheld and should be amounts)

Example #2

Flex Consolidated Benefit Allowance \$986.00
Flex Health Deduction Amount \$1245.80
Flex Dental Deduction Amount \$96.84
Flex Vision Deduction Amount \$8.64
Flex pre-tax Parking Amount \$40.00
Payment SDI Gross Amount \$8030.00
Payment SDI Withheld Amount \$80.30

SDI Gross Amount Should Be \$7624.72 (Payment SDI Gross Amount plus Flex Consolidated Benefit Allowance less all Flex deduction amounts)

SDI Withheld Amount Should Be \$76.25 (1% SDI tax rate of SDI Gross Amount Should Be)

Deduction Code 600 SDI Adjustment Amount \$4.05 (difference between withheld and should be amounts)

Example #3

Flex Health Deduction Amount \$276.69
Flex Dental Deduction Amount \$35.12
Flex Vision Deduction Amount \$0.00
Flex pre-tax Parking Amount \$0.00
Flex Health Care Reimbursement Account Amount \$416.66
Payment SDI Gross Amount \$6191.85
Payment SDI Withheld Amount \$61.92

SDI Gross Amount Should Be \$5463.38 (Payment SDI Gross Amount less all Flex deduction amounts)

SDI Withheld Amount Should Be \$54.64 (1% SDI tax rate of SDI Gross Amount Should Be)

Deduction Code 600 SDI Adjustment Amount \$7.28 (difference between withheld and should be amounts)

Example #4

Flex Benefit Cash Option \$128.00*
Flex Dental Deduction Amount \$0.00
Flex Vision Deduction Amount \$0.00
Payment SDI Gross Amount \$4979.00*
Payment SDI Withheld Amount \$49.79

*Cash option is subject to the SDI tax and already included in the payment SDI gross amount

SDI Gross Amount Should Be \$4979.00 (Payment SDI Gross Amount less all Flex deduction amounts)

SDI Withheld Amount Should Be \$49.79 (1% SDI tax rate of SDI Gross Amount Should Be)

No Deduction Code 600 SDI Adjustment as the difference between withheld and should be amounts is zero.

Employees who meet the following criteria are excluded from the above and should receive their adjustment, if any, at a later date.

Separated as of July 13, 2012

On an unpaid leave as of July 13, 2012

FlexElect program pre-tax deduction adjustments for a prior pay period

SDI tax adjustment for a prior pay period

Prior pay period adjustment to the payment used to calculate the above SDI tax adjustment (effective with the August 2012 adjustment process)

Employees in the MyCalPAYS pilot 2 deployment (effective with the September 2012 adjustment process)

The online Paycheck Calculator has been modified to reflect the changes.

If there are any questions, please contact John Ochoa at (916) 322-8115 or JOchoa@sco.ca.gov, or Maria Banuelos at (916) 327-8705 or mbanuelos@sco.ca.gov. Subsequent Payroll Letters will be issued once the payroll system modifications are made (phase 2 of the SDI subject gross wage base modifications) as well as details on the process to issue adjustments for the pay periods prior to June 2012 are determined.

LC:LM:PMAB